ASCS BACKGROUND INFORMATION -- BI No. 4 - MAY 1972

PRICE SUPPORT AND OTHER LOAN, PURCHASE, AND PAYMENT PROGRAMS

LEGISLATIVE AUTHORITIES

Price stabilization and support operations for specified commodities were first authorized by the Agricultural Adjustment Acts of 1933 and 1938; with loan programs initiated in the Fall of 1933 when the Commodity Credit Corporation (CCC) was created.

Current price support and other loan, purchase, and payment programs are carried out under authority of CCC's Charter Act, as amended; the Agricultural Adjustment Act of 1938, as amended; the Agricultural Act of 1949, as amended; the Sugar Act of 1948, as amended; the National Wool Act of 1954, as amended; and the Agricultural Act of 1970.

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In conjunction with these programs, production adjustment programs (utilizing marketing quotas, acreage allotments, base acreages, and cropland set-aside or diverted acreage provisions for specified commodities) are authorized by the Agricultural Adjustment Act of 1938 and the Agricultural Act of 1970.

Export programs are carried out primarily under authority of the CCC Charter Act; the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480); and section 32 of Public Law No. 320, 74th Congress.

COMMODITIES SUPPORTED

CCC makes loans, purchases, and payments available on agricultural commodities to eligible producers.

Basic commodities - The Agricultural Act of 1949, as amended, makes price support mandatory for extra long staple cotton, peanuts, rice and tobacco, and loans and payments mandatory for corn, upland cotton, and wheat.

Nonbasic commodities - The 1949 Act, as amended, also requires price support for designated nonbasic commodities -- tung nuts, honey, milk, barley, oats, rye, and grain sorghums.

The National Wool Act of 1954 requires price support for wool and mohair. (See Page 21 for program details).

Price support for other nonbasic commodities is discretionary, with the Secretary authorized by the Congress to announce a commodity program, if he deems it necessary under statutory authority, and under terms and conditions that he determines applicable under legislative provisions.

The Sugar Act of 1948 provides for conditional payments to producers of sugarcane and sugarbeets. (See Page 21 for program details).

The Corporation also may carry out operations to remove and dispose of surplus agricultural commodities in order to stabilize prices at levels not in excess of those permissible by law.

SUPPORT DETERMINATION

Except as otherwise provided by statute, the Secretary determines or approves the amounts, terms, and conditions of price support operations.

Eight factors set forth in section 401(b), title IV, of the Agricultural Act of 1949 are taken into consideration in determining, in the case of any commodity for which price support is discretionary, (1) whether a price support operation is undertaken, and (2) the level of support.

For many of those commodities for which price support is mandatory, these same factors are considered to determine the level of support above the minimum set forth by law.

These factors are as follows:

1. the supply of the commodity in relation to the demand;
2. the price levels at which other commodities are being supported and in the case of feed grains, the feed values of each grain in relation to corn;
3. the availability of funds;
4. the perishability of the commodity;
5. the importance of the commodity to agriculture and the national economy;
6. the ability to dispose of stocks acquired through a price support operation;
7. the need to offset temporary losses of export markets; and
8. the ability and willingness of producers to keep supplies in line with demand.

SUPPORT LEVEL

For many commodities, the Congress has either established a specific parity level at which, or a range within which, loan, purchase, and payment rates must be set.

The parity price for an agricultural commodity is the dollars-and-cents price, determined by formula, that will give such commodity the same buying or purchasing power, in terms of goods and services bought by farmers and certain costs of their farming operations, that such commodity had in the 1910-14 base period, with an adjustment based on the commodity's most recent 10 year average farm price divided by the ratio of the general level of prices for all farm commodities during such 10 year period to the general level of prices received for all commodities during the 1910-14 base period.

The parity price of a commodity is a general or overall standard. It applies to the average of the various locations, grades, qualities and classes of the commodity as sold by all farmers. The formula for computing parity prices is set forth in section 301(a) of the Agricultural Adjustment Act of 1938, as amended.

The Congress has established specific formulas for the computation of the loan rate for upland cotton of the 1971-73 crops and has set specific support prices for wool and mohair for the 1971-73 marketing years.

Insofar as practicable, the Secretary announces each year the loan, purchase, or payment level for each program long enough before the planting or marketing season of each commodity to permit the producer to plan and to gear his farm operations to appropriate programs. A separate level is determined for each commodity each marketing year.

The announced levels may generally be raised, but not lowered, during the marketing year or season.

Most announced loan or purchase levels are national averages, representing the average of all classes and grades of the commodity produced for market by all farmers.

National average loan and purchase rates are converted into specific support prices for grades and qualities at specific locations. These prices are set forth in schedules for the particular commodity.

Premiums and discounts are established for qualities other than the base quality. These are added to or subtracted from (as appropriate) the basic level at each location.

By using this schedule, every farmer (regarless of where he is located) can determine the loan or purchase rates for the quality of the commodity he produces.

MARKETING YEARS

The following are marketing year (beginning and ending) dates for selected commodities:

Commodity	Date
Feed Grains	
Corn	October 1 - September 30
Grain sorghum	October 1 - September 30
Barley	July 1 - June 30
Oats	July 1 - June 30
Food Grains	
Wheat	July 1 - June 30
Rye	July 1 - June 30
Rice	August 1 - July 31
Oilseeds and Oils	
Flaxseed	July 1 - June 30
Cottonseed	August 1 - July 31
Soybeans	September 1 - August 31
Tung Nuts	November 1 - October 31
Fibers	
Wool-mohair	January 1 - December 31
Cotton, upland	August 1 - July 31
Cotton, ELS	August 1 - July 31
Miscellaneous	
Milk, mfg.	April 1 - March 31
Honey	April 1 - March 31
Gum naval stores	April 1 - March 31
Tobacco, flue-cured	July 1 - June 30
Tobacco, others	October 1 - September 30
Peanuts	August 1 - July 31
Dry edible beans	September 1 - August 31

SUPPORT ELIGIBILITY

In order to be eligible to participate in a program, a producer must comply with the requirements of the applicable legislation and such additional terms and conditions as may be established by the Secretary as a condition of eligibility.

LOAN, PURCHASE, AND PAYMENT LEVELS

Specific provisions for loans, purchases and payments on a number of commodities are contained in the Agricultural Act of 1970 (see Page 15). The

following levels or ranges for loans, purchases, and payments on other commodities are authorized by the Agricultural Act of 1949, as amended.

In general, unless otherwise stated, the annual national average level determined and announced within the ranges cited for commodities is based upon the eight factors set forth in section 401(b) of the 1949 Act (See above).

Extra-long staple cotton (ELS): If marketing quotas are approved by ELS producers, the loan level is to be not less than 50 percent or more than 100 percent in excess of the loan level established for Middling one-inch upland cotton at average location (but not less than 35 cents per pound). In addition, payments are to be available at a rate which, together with the loan level, is not less than 65 percent or more than 90 percent of the parity price for ELS cotton as of the month in which the payment rate is announced. If marketing quotas are disapproved, the support level drops to 50 percent of parity, with no payments available.

Tobacco: For those years in which marketing quotas have not been disapproved, the support level is determined by adjusting the 1959 support level upward or downward in proportion to changes in the parity index (prices paid by farmers, including interest, taxes, and wage rates), comparing the 1959 index with the most recent preceding 3-year moving average. If marketing quotas are disapproved by tobacco producers, no program is available.

Rice: The minimum support level is 65 percent of parity and the maximum is 90 percent. If marketing quotas are disapproved, the level is 50 percent of parity.

Peanuts: If marketing quotas have not been disapproved, the support level range is from 75 to 90 percent of parity. The minimum level within this range depends on the level of supply (the supply percentage) at the beginning of the marketing year, in accordance with the schedule in section 101(b) of the Agricultural Act of 1949.

Four steps are taken in determining the minimum level: (1) computing the estimated total supply (allowing for the effects of any control programs such as marketing quotas and acreage allotment); (2) computing the normal supply; (3) dividing the total supply by the normal supply to determine the supply percentage, and (4) referring to the schedule in section 101(b) of the 1949 Act for the minimum level applicable to the supply percentage so determined.

If marketing quotas have been disapproved, the support level drops to 50 percent of parity.

Honey: The support level may be not less than 60 percent nor more than 90 percent of parity.

Tung Nuts: The support level may be not less than 60 percent nor more than 90 percent of parity. However, in any crop year in which the Secretary determines

that the domestic production of tung oil will be less than the anticipated domestic demand, the support level is to be not less than 65 percent of the parity price.

Other nonbasic commodities: The level of support for other nonbasic commodities may not be more than 90 percent of parity. The Secretary takes into consideration the factors in section 401(b) of the 1949 Act, as amended, to determine whether a program operation should be undertaken and the level of support.

In 1971, programs were in effect for flaxseed, soybeans, dry edible beans, gum naval stores and castor beans.

SUPPORT METHODS

The principal methods of the Corporation to provide support are, singly or in combination, loans, purchases, and payments.

Support operations are usually conducted for CCC by the Agricultural Stabilization and Conservation Service (ASCS), which carries out much of its work through State, county and community farmer committees, county ASC offices, and three commodity offices located in Kansas City (Mo.), Minneapolis, and New Orleans.

Loans: Commodity loans are made directly to eligible farmers through county ASC offices or are made to approved agricultural cooperative marketing associations, or both, on the security of the stored commodities. Approved storage may be storage structures on the farm or off the farm, or country or terminal warehouses.

With limited exceptions, commodity loans are nonrecourse. The commodities serve as collateral for the loan, and on maturity the producer or association may generally deliver or forfeit the pledged commodity to satisfy the loan obligation without further payment.

The loan technique has been used extensively in commodity programs for cotton, tobacco, soybeans, flaxseed, peanuts, dry edible beans, honey, tung nuts (loans on oil), gum naval stores (loans on rosin), and the grains -- corn, grain sorghum, barley, oats, wheat, rye and rice.

If a loan is made directly to a farmer, the farmer may repay the loan, plus accrued interest (approximately 3½ percent in 1971) at any time prior to loan maturity.

A service fee of $8.00 (1971) is charged on each loan that involves farm-stored commodities. The fee is $4.00 (1971) on most loans that involve warehouse storage. The interest rate is 30 cents per unit of $100 of the loan per month, but not including the month of the repayment.

For cotton (1971), there is a service charge of $1 per note, plus an additional amount for each bale pledged under the note. If the note is prepared by an approved loan clerk outside the county office, producers pay a loan clerk fee, based on the number of bales per note.

If the farmer chooses not to repay a loan, he delivers the commodity to CCC if it is farm-stored, or CCC takes title to the commodity if it is in warehouse storage, and ordinarily the loan, including interest, is satisfied. It is in this way that CCC has acquired most of its inventories of commodities.

Before assuming title to a farm-stored commodity under loan, CCC determines through ASC county and commodity offices that the commodity is acceptable. A delivery charge amounting to one-half cent per bushel, or 1 cent per hundred pounds, is normally made on commodities acquired by CCC.

Loans on tobacco, peanuts, gum naval stores (rosin), cotton, soybeans, dry edible beans, honey and rice are also made available through producer associations or cooperatives. The collateral of all producers is pooled. The association or cooperative markets the commodity held as collateral and repays the amount due CCC thereon in some cases and remits the sales proceeds to apply on the loan in other cases. If the sales by the association or cooperative return a profit over advances to growers, charges and interest, it may be returned to the growers as a patronage dividend.

Loans are usually available to producers for about 8 to 10 months following harvest. Depending on the commodity, most loans mature initially 1 to 3 months following the end of loan availability. In the case of peanuts, tobacco, and naval stores, loans mature on demand. For cotton, loans mature 10 months from the first of the month in which the loan is made.

Depending on the commodity, storage may be in country or terminal warehouses, or in other storage structures on or off the farm.

RESEAL LOANS: For many years, USDA has offered "reseal" privileges for certain commodities stored on the farm. The term "reseal" means extension of a commodity program loan and is derived from the fact that farm-stored collateral for such loans is put under seal. Resealing has enabled farmers to extend their loans beyond the initial loan maturity date. This program has been used as an aid to orderly marketing for many years. It is especially useful when production exceeds utilization or when market prices are weak.

Loan extensions are granted, when determined necessary, on grain in commercial storage. In 1971, extensions were authorized for the 1970 crops of barley, grain sorghum, oats and wheat. Extension of the reseal program gives more farmers an opportunity to plan long-range marketing and avoid lower prices during times when markets are overloaded.

Annual public announcements are made of the commodities and crops which will be eligible for reseal during the next reseal year. Each year farmers may obtain

reseal loans on commodities which are under regular program loans, if a reseal program is offered for such commodities and his commodity is in good condition.

Storage costs accruing during the reseal period are paid by CCC. These payments are made to farmers who provide farm storage, and to warehousemen on extended warehouse storage loans.

State ASC committees determine whether an on-farm reseal program for commodities eligible for reseal will be available in their States, or in areas of the State where a commodity can be safely stored on the farm and the program is advantageous to producers and CCC.

Farmers continue to have the option of redeeming their commodities under reseal loan.

COMMODITY LOAN BENEFITS: While the loan program does not guarantee the participating farmer a profit, it does offer definite safeguards and advantages if his commodity is eligible for loan.

The loan program gives farmers an opportunity to obtain cash and hold their crops for later sale. In practice, if the producer cannot profitably pay off his loan and sell the commodity, the loan may be satisfied in full by letting CCC take over the commodity.

The loan program tends to even out marketings. In order to meet operating costs, farmers would otherwise be inclined to market their crops at harvest time. This sometimes makes market gluts, undue burdening of the transportation system, and lower prices. Price swings and transportation bottlenecks are minimized to a great extent by spreading commodity marketing over the season.

The loan program gives producers a chance to exercise greater independence in their marketing operations and to benefit from price increases that often come later in the season after harvest.

LOAN METHODS BY COMMODITIES

Feed Grains, Wheat, Rice, Soybeans,
Flaxseed, Tung Oil, Dry Edible Beans, Honey: For these commodities, the farmer usually applies to the ASC county office for a loan.

A member of the county office staff checks to assure eligibility (compliance with program provisions) and the eligibility of the commodity.

The farmer who has his commodity in farm storage signs a promissory note, chattel mortgage, and security agreement and receives his loan through the county office. The farm cribs or bins are checked to make sure they are providing safe storage. The county office employee measures the quantity stored as the basis for making a loan.

In those cases where the commodity is stored by the farmer in an approved public storage facility, the farmer receives a warehouse receipt from the facility. This is presented at the county office as security for the loan. For commodities stored in warehouses, a deduction for storage charges for the loan period is made from the loan proceeds if the farmer has not prepaid these charges.

The county ASC office disburses the loan by issuing the farmer a draft drawn on CCC.

For support on dry edible beans, honey, rice, and soybeans, a producer may deliver his commodity to an approved cooperative marketing association (for pool loans), and the association may place the commodity under loan.

Tobacco: Farmers receive advances for tobacco at a level established by CCC through their own associations, which pledge the tobacco to CCC.

Producers may obtain advances on tobacco through one of the 16 producer associations in the continental United States and Puerto Rico. The associations, under their contract with CCC, handle all operations connected with making advances to producers on tobacco and processing and storing the tobacco.

These operations of the associations are financed by nonrecourse loans to the associations by CCC through banks acting as servicing agents for CCC. The funds made available are used to make the advances to producers (generally through auction warehouses) and to reimburse carriers, redrying plants, and storage warehouses for services performed for the associations.

Administrative expenses of the associations also are financed by the CCC loans to the extent that the service charges collected from producers (generally a minimum of 25 cents per 100 pounds) fail to cover all expenses. Expense budgets are subject to approval by CCC.

In areas where tobacco is sold at auction, the producer delivers his cured tobacco to an auction warehouse. There it is weighed, identified by a warehouse sales ticket, segregated (baskets, sheets, or piles) and displayed in lots on the auction floor. A Government tobacco inspector grades the tobacco in each lot and marks the grade on the warehouse sales ticket.

At the time of sale the tobacco is auctioned to the highest bidder. If the high bid for any particular lot does not exceed the advance level, as published for that grade, that lot is consigned to the association, provided the producer and tobacco are eligible under the program.

After the sale is completed the auction warehouseman pays the producer for his tobacco, including that consigned to the association. The farmer is also given a participating record covering the quantity and value of the tobacco that went under loan.

The loan tobacco accumulated by the association is trucked to the plant of a redrier or a packer under contract with the association. The tobacco, segregated by grade, is run through a redrying machine and packed in hogsheads.

The redrier or the packer sends a report to the association showing the quantity of loan tobacco received from each auction warehouse. The association matches the redrier's or packer's report with the warehouseman's billing and draws a check to the warehouseman.

The redrier or packer transports the packed hogshead to a storage warehouse where nonnegotiable warehouse receipts are issued in favor of CCC.

Over a period of time, the tobacco placed under loan by the association is marketed by the association on the basis of prices proposed by the association and approved by CCC. When all the tobacco is sold, proceeds in excess of the loan, if any, are required to be distributed by the association in cash to the producers or, if approved by CCC, may be used otherwise for the benefit of the producers. The Corporation retains the right to call the loans at any time upon demand.

The procedure for obtaining the advances on cigar leaf tobacco is substantially the same as for other kinds except that cigar leaf tobacco is not sold at auction. The producer delivers his tobacco to a warehouse or assembly point maintained by the association and receives an advance on the basis of a Government grade.

With approval of at least two-thirds of producers voting in referendum for a three-year program, an acreage-poundage program is in effect for flue-cured tobacco. The program was approved for the 1971-73 crop years in a referendum held July 16, 1970.

The acreage-poundage program is based on an announced national marketing quota in pounds and a national acreage allotment. The poundage quota for each farm is based on the three highest yearly yields of the production history of the farm during the five years 1959-63, with the farm yield adjusted annually by a uniform factor to bring the average of all farms within the national average goal. The farm acreage allotment also is adjusted to conform to the farm's pro rata share of the announced national allotment.

A poundage program for burley tobacco was authorized by legislation approved April 14, 1971, if approved by at least two-thirds of the producers voting in referendum. This legislation provides for the establishment of farm marketing quotas for burley tobacco on a poundage basis rather than on an acreage basis. The burley poundage program was approved in referendum on May 4, 1971 for the three crop years 1971-73.

For the first year (1971) of the poundage program, farm marketing quotas are based on the average of each farm's four highest yields during the preceding five years, multiplied by 95 percent of the 1970 acreage allotment.

For subsequent years, farm quotas will be adjusted as necessary to establish the quota in line with supplies on hand and anticipated demand.

Pricing policies of the associations, with approval of CCC, are designed:

1. To be in the best interest of the growers.
2. To minimize loss to the Government.
3. To protect stocks on hand from damage and deterioration.
4. To avoid undue disruption of the marketing of current crops.
5. To maintain stability in both domestic and foreign markets.

Cotton, upland and extra long staple: To obtain a loan, an eligible producer first has his cotton classed by a board of cotton examiners of USDA (on the basis of a sample drawn from the bale and sent in to the board). The board, after establishing grade, staple length, and micronaire reading, sends the producer a form indicating the class. The producer delivers his bales of ginned fiber (lint cotton) to a warehouse approved by CCC and obtains a warehouse receipt.

After the official classification and warehouse receipt are received by the producer or his representative, the producer may obtain a loan. Loan documents, except for loans made through approved cooperative marketing associations, may be prepared by ASCS county office personnel or by CCC-approved loan clerks located in banks, offices of cotton buyers, cotton gins, warehouses, and other locations as necessary for the convenience of producers. The producer must present his loan documents to his ASC county office for disbursement by the county office. Loans are disbursed by use of CCC drafts.

Under a special procedure, an advance to the producer (full amount of the loan, less authorized deductions) may be made by any firm, individual, or other entity, wihich obtains credit at a financial institution for the amounts advanced. The financial institutions receive a draft from CCC for the loan proceeds, on which interest is payable by CCC from the date of investment of funds.

In keeping with cotton trade practices, loans are reduced by the amount of any warehouse receiving charges due on the cotton if such charges have not been prepaid. In cases where the receiving charges have not been prepaid and the cotton is not redeemed from loan, CCC pays the receiving charges directly to the warehouse when the warehouse storage charges are paid.

Loan documents covering loans to producers, including warehouse receipts and class cards, are retained in the county offices until maturity of the loans.

Document availability at the county level facilitates and expedites the redemption of cotton stocks under loan. Cotton merchants can determine readily from the documents not only the identity of producers who have cotton under loan, but also the quantity and quality of the cotton.

Producer-members of a cotton cooperative marketing association may obtain advances from the association on eligible cotton delivered for marketing. The Association may then tender to CCC documents representing such cotton and receive a nonrecourse loan on the cotton from CCC.

<u>Peanuts</u>: CCC makes price support available to peanut producers primarily in two ways.

One is through nonrecourse warehouse storage loans to the three peanut grower associations which serve the producing areas. The associations operate under loan and handling agreements with CCC, pursuant to which they contract with warehousemen to receive, handle, and store collateral peanuts and to issue warehouse receipts to CCC and drafts to growers.

The producer delivers his peanuts to a warehouse having a storage contract with a grower cooperative association. The producer appoints the association his agent to handle and market his peanuts and to pledge them to CCC as security for a loan to the association. The producer's right to redeem or obtain possession of the peanuts ceases at the time they are loaded into the warehouse.

The warehouseman, as agent of the association, prepares a draft in favor of the producer for the price-support value of the peanuts. The draft, drawn on the association, may be cashed at any commercial bank. As the drafts are paid for the association's account, CCC lends to the association amounts equal to the drafts. The loan is secured by warehouse receipts representing the peanuts received by the association from producers.

The association may withdraw individual lots of peanuts from the loan or redeem all of the peanuts from the loan for sale for domestic edible use. Loan collateral peanuts are sold for edible use by the associations in accordance with a minimum sales policy approved by CCC. The sales policy provides for minimum prices based on the amount of the loan on the peanuts -- plus interest, handling and storage charges, other costs, and a percentage markup depending on the time of the sale.

The grower obtaining price support through the association shares on a pro rata basis in the net profit, if any, the association earns from its sales of collateral peanuts for edible use.

Loan peanuts are also sold by CCC for the association's account on a competitive bid basis for export or domestic crushing into oil.

The other primary method of price support is the purchase of peanuts from shellers by CCC. These purchases generally are of the lower edible grades of shelled peanuts. The purchase of these lower grades removes them from the commercial edible market. This, in turn, increases the use of better grade peanuts for edible purposes and decreases the quantity of farmer's stock peanuts diverted by CCC. Shelled peanuts are purchased only from shellers who paid producers for their farmer's stock peanuts prices at least equal to the loan value and complied with program provisions.

Loans are also available to producers on farm-stored peanuts through ASC county offices. However, only a small number of growers obtain this type of loan. After the county office determines that the producer is eligible for the loan program and that the storage facility meets CCC's requirements, the county

office prepares the necessary loan documents. As in the case of grain loans, the producer obtains his peanut loan from the county office. The producer may deliver the peanuts to CCC upon maturity of the loan, or he may redeem the peanuts by repaying the amount of the loan plus interest. In recent years most of the farm-stored peanuts have been redeemed by the grower, presumably for seed purposes.

Gum naval stores: CCC makes advances available to producers of gum naval stores through a nonrecourse loan to the American Turpentine Farmers Association Cooperative (ATFA), Valdosta, Georgia. Under loan agreement with CCC, ATFA makes the advances to its eligible producers on eligible rosin or the rosin content in crude pine gum.

All U.S. producers of crude pine gum are eligible for membership in ATFA upon application and payment of an initial membership fee of $1; any further membership dues are voted on in annual convention. In 1971, ATFA membership comprised almost 85 percent of domestic producers, representing more than 95 percent of pine gum production.

The loan made to ATFA covers advances to producers, administrative and operating expenses, and storage charges on the pledged collateral. The loan has no fixed maturity date but is payable on demand. Generally ATFA redeems the collateral and sells it from redemption pools. For certain years' collateral, ATFA has been given the right to sell without redemption, provided the proceeds are paid to CCC.

ATFA may sell its redeemed collateral stock at or above redemption cost. Redemption costs are determined by CCC. These include the following factors: face value of the loan, storage costs, administrative expenses, and interest.

Any amount remaining over redemption costs that is realized from sales by ATFA may be returned to participating producers on an equitable basis, as determined by ATFA and approved by CCC.

Usually the producer delivers his oleoresin to an approved processing plant-warehouse facility where it is inspected and graded. The producer determines the quantity, if any, he wants to sell outright to the warehouseman.

On the remainder, the producer executes a producer's offer which tenders the rosin or rosin content to ATFA for the loan program. Payment on this quantity is usually advanced by the warehouseman, who deducts the inspection fee, initial storage costs, and processing fees (including the cost of rosin drums).

Warehousemen summarize the various producer offers periodically, make certification as to quantity and grade, and transmit the offers to ATFA, which checks eligibility. ATFA, in turn, consolidates the producer offers from various warehouses and transmits certification to CCC for loan funds to cover the advances. These funds are then distributed by ATFA to eligible producers or those warehousemen who advanced the funds to producers.

Tung nuts (oil): Program operations are carried out through loans on oil because of the relatively high perishability of tung nuts.

Producers deliver their tung nuts to a crushing mill where the oil is extracted on a custom basis, with the grower retaining title to the oil. Producers receive warehouse receipts for the oil, which generally is stored in tanks at the crushing mill.

The warehouse receipts serve as collateral for loans made directly by CCC through ASC county offices.

The loan program is carried out in the producing areas of Alabama, Florida, Georgia, Louisiana, Mississippi, and Texas.

Loans are payable on demand, without a fixed maturity date. Producers pay a service charge of 6 cents per hundredweight on all oil pledged and not redeemed by October 31 of the end of the marketing year the loan was made.

PURCHASES: In its program operations, CCC acquires by purchase some commodities as authorized or required by applicable legislation. Commodity and processed products are acquired primarily under purchase agreements, and perishable or processed commodities are acquired by direct purchase.

Purchase Agreements: Subject to the terms and conditions set forth for the particular commodity program, a producer may apply at the ASC county office for the option of selling to CCC an approximate quantity of his eligible commodity at the applicable settlement value as established by regulation.

CCC will purchase, at settlement value, the quantity of the commodity the producer elects to sell, up to that quantity eligible under the program on the basis of the weight, grade and quality factors established for the commodity if the producer:

1. Declares his intention not later than the date specified by regulation;
2. In the case of a commodity stored in an approved warehouse, submits to the ASC county committee, during a period specified by CCC, warehouse receipts representing the eligible quantity he elects to sell to CCC;
3. In the case of a commodity in storage in other than approved warehouse storage, makes delivery within the specified period immediately following the date the county committee issues delivery instructions, unless the county committee determines that more time is needed for delivery, and
4. If the producer is an eligible producer and the commodity delivered by him is eligible for sale to CCC under the program regulation.

Included in the commodities that purchase agreements are applicable to in 1971 are grains, dry edible beans, flaxseed, soybeans and honey.

Direct Purchases: For milk, the Agricultural Act of 1970 directs that the program shall be carried out through purchases of milk and the products of milk during the 1971-73 marketing years (See page 20).

A direct purchase program for flaxseed is carried out in designated Texas counties where flaxseed normally can be stored only for a relatively short time.

PAYMENTS: The Agricultural Act of 1970 amended the Agricultural Act of 1949 and the Agricultural Adjustment Act of 1938 to initiate a cropland set-aside approach for participating producers in the voluntary upland cotton, wheat and feed grain programs for the 1971-73 crop years, with set-aside program payments (marketing certificates, in the case of wheat) established for program participants (See below).

The Act continued authority for payments for wool and mohair (See page 21).

Under the Sugar Act of 1948, as amended and extended, conditional payments are made to producers of sugarcane or sugarbeets (See page 21).

THE AGRICULTURAL ACT OF 1970

The Agricultural Act of 1970, approved November 30, 1970, and applicable through 1973, initiated a cropland set-aside program under which payments are made to participating producers in the voluntary upland cotton, wheat, and feed grain programs (1971-73 crop years). The Act suspended marketing quotas and acreage allotments for wheat and upland cotton for the 1971-73 crop years.

The Act established a $55,000 limit on the amount of payments (certificates, in the case of wheat) a person could receive annually under each program. The payment limitation does not apply to commodity loans and purchases available to eligible program participants.

A payment in addition to the set-aside payment may be provided by the Secretary, in an amount he determines to be appropriate in relation to the benefit to the general public, if the program participant agrees to permit, without other compensation, access to all or any portion (as determined by the Secretary) of the farm by the general public for hunting, trapping, fishing and hiking.

To assist in adjusting the acreage of commodities to desirable goals, the Secretary is authorized to make land diversion payments, in addition to set-aside payments, to producers who to the extent prescribed by the Secretary devote to approved conservation uses an acreage of cropland on the farm in addition to that required under the set-aside provisions. Such payments are to be at a rate he determines to be fair and reasonable -- taking into consideration the diversion undertaken by the producer and the productivity of the acreage diverted.

Programs and provisions included in the Agricultural Act of 1970 are as follows:

THE WHEAT PROGRAM: The voluntary wheat program provides for loans, purchases, and marketing certificates to eligible producers.

A wheat farmer who meets cropland set-aside and conserving base requirements may plant all the wheat he wishes on the farm's remaining cropland -- with all the wheat produced eligible for loan and purchase.

Loans: Nonrecourse loans will be available to participating farmers at a national average level not less than $1.25 per bushel and not more than 100 percent of parity, determined by the Secretary to be appropriate, taking into consideration the world price of wheat, the feed value relationship of wheat to feed grains, and the loan level for feed grains.

County loan rates are established to reflect the national average, adjusted by premiums or discounts for quality, and other factors specified in program provisions.

Loans through ASC county offices are usually available from harvest time through March 31 in most States, and through April 30 in Idaho, Minnesota, Montana, North Dakota, Oregon, Washington, and Wyoming. Loans usually mature one month after the final loan availability date.

Purchases: Wheat may be purchased by CCC from eligible producers on the loan maturity date at the county basic loan rate, adjusted by premiums or discounts for quality, and other factors specified in program provisions.

Marketing Certificates: Wheat marketing certificates are to be issued to participating farmers in an amount equal to estimated domestic food use, but not less than 535 million bushels annually, with each producer's certificates to be issued on the basis of the farm's domestic allotment and the projected yield established for the farm with adjustments determined necessary for a fair and equitable yield.

The certificate payment rate will be the difference between the national average market price received for wheat by farmers during the first five months of the marketing year (July-November) and 100 percent of wheat parity as of July 1.

Eligible producers will receive preliminary payments, as soon as practicable after July 1 of the year in which the crop is harvested, equal to 75 percent of the estimated face value of the certificates to be issued for the crop, with the balance, if any, to be paid after December 1. If the preliminary payment is greater than the certificate value as finally determined, no refund will be required.

An eligible producer, one who complies with cropland set-aside and conserving base requirements, can receive certificate payments on his total domestic allotment, as established and adjusted each year, regardless of whether he plants wheat or not. Producers who plant less than 90% of their farm domestic allotments will have their allotments reduced for future years unless failure to plant is due to conditions beyond the producers' control.

The program contains provisions for the sharing of certificates and payments for any farm among producers on the farm on a fair and equitable basis.

Processors purchase certificates from the government at a price of 75 cents per bushel to cover the quantity of wheat used for domestic food. The proceeds are used to offset a portion of the cost of certificates issued to producers. The balance of the cost of the certificates issued to producers is financed by the government.

THE FEED GRAIN PROGRAM: For the cropland set-aside and payment program, the 1970 Act designated the feed grains to be corn and grain sorghum -- and barley if designated by the Secretary. Barley was not included in the 1971 program.

A feed grain farmer who meets cropland set-aside and conserving base requirements may plant all the feed grain he wishes on the farm's remaining cropland, with the feed grain eligible for loan and purchase.

Loans: Nonrecourse loans will be made available to eligible producers of corn at a level, not less than $1.00 per bushel nor more than 90 percent of the parity price, that the Secretary determines will encourage the exports of feed grains and not result in excessive total U.S. feed grain stocks.

The loan rate for grain sorghum is to be at a level the Secretary determines is fair and reasonable in relation to that of corn, taking into consideration the feeding value and average transportation cost to market of grain sorghum in relation to corn.

The loan rates for barley, oats and rye are to be at such level the Secretary determines is fair and reasonable in relation to that for corn, taking into consideration the feeding value of each to corn and the other factors set forth in section 401(b) of the Agricultural Act of 1949, as amended (See page 2).

(The feed value of grain sorghum per 100 pounds has been determined to be 92 percent of nutritive value of an equal amount of corn; the feed value of barley and oats, 90 percent, and the feed value of rye, 85 percent.)

Loans for corn are available through ASC county offices from harvest time though June 30 of the following year, with the loans usually maturing one month after the final loan availability date.

Loans for grain sorghum are usually available through the county offices from harvest time through March 31 of the following year in designated South Texas counties; through May 31 in designated North Texas counties and Oklahoma, and through June 30 in all other States. Loans usually mature one month after the final loan availability date.

For barley, loans through the county offices are usually available in 10 Western and Northwestern States from harvest time through April 30 of the following year, and through March 31 in all other States. Barley loans usually mature, for the 10 Western and Northwestern States, on May 31 of the year following harvest, and on April 30 for all other States.

Loans for rye are usually available through the county offices until March 31 of the year following harvest and mature on April 30 of the year following harvest.

Loans for oats are usually available through April 30 following harvest in 12 Northern States and through March 31 in other States. Loans mature, for the respective areas, on May 31 and April 30 of the year following harvest.

As with other commodities, the county feed grain loan rates reflect the announced national average loan rate, with the county loan rate also adjusted by premiums and discounts for quality to determine rates for individual producers.

Purchases: Feed grains may be purchased by CCC from eligible producers on the loan maturity date at the county loan rate, adjusted by premiums or discounts for quality, and other provisions under the program.

Set-Aside Program Payments: Set-aside program payments will be made to producers for diverting the specified percentage of the appropriate feed grain base.

The payment rate for corn will be equal to the difference between the national average price received by farmers during the first five months (October-February) of the marketing year and $1.35 per bushel or 70 percent of the parity price for corn as of the beginning of the marketing year, whichever is the greater. The payment rate for grain sorghum and, if designated by the Secretary, barley, will be at such rate as the Secretary determines is fair and reasonable in relation to the corn rate.

Set-aside payments for a farm will be made available on half the feed grain base and will be computed on the basis of the yield established for the farm for the preceding year, with adjustments deemed necessary.

Eligible producers will receive preliminary payments as soon as practicable after July 1 of the crop year, at a rate of 32 cents per bushel for corn, with comparable rates for grain sorghums and, if designated in the program by the Secretary, barley. If the preliminary payment is greater than the total payment as finally determined, no refund will be required. If the set-aside is less than 20 percent of the feed grain base, the preliminary payment rate is to be reduced proportionately.

The program provides for sharing of payments among producers on a farm on a fair and equitable basis.

THE UPLAND COTTON PROGRAM: The voluntary upland cotton program (1971-73 crop years) provides for loans and set-aside program payments to eligible producers.

Loans: Nonrecourse loans are available to eligible producers at a level that will reflect, for Middling one-inch upland cotton (micronaire 3.5 through 4.9) at average location in the United States, 90 percent of the average world price for such cotton for the two-year period ending July 31 in the year the loan level is announced.

However, to prevent the establishment of a loan level that would adversely affect the competitive position of U.S. upland cotton, following one or more years of excessively high prices, the Secretary must make such adjustments as are necessary to keep U.S. upland cotton competitive and to retain an adequate share of the world market.

The loan level is determined and announced not later than November 1 of the calendar year preceding the marketing year for the crop.

For the 1972 and 1973 crops, if carryover stocks at the beginning of each marketing year (August 1) are more than 7.2 million bales, loans will be limited on any farm, on which the harvested acreage exceeds the base acreage allotment, to an amount of cotton determined by multiplying the farm payment yield by the farm base acreage allotment.

Loans to eligible producers for the various upland cotton qualities will be based on the Middling one-inch rate, in accordance with the schedule of premiums and discounts as announced for these qualities.

Maturity date of the loan will be 10 months from the first day of the month in which the loan is made. If warehouse receipts show that more than 60 days' storage charges have accured on the cotton, the amount of the loan will be reduced for the storage in excess of 60 days.

To be eligible for loans, producers must meet program requirements relative to conserving base and cropland set-aside provisions.

Set-Aside Program Payments: The set-aside program payment rate to eligible upland cotton producers is equal to the difference between the higher of 35 cents or 65 percent of the parity price for upland cotton as of August 1, and the average market price for Middling one-inch upland cotton, micronaire 3.5 through 4.9, in the designated spot markets during the first five months (August-December) of the marketing year. The rate of payment for the 1972 and 1973 crops is to be adjusted by the ratio of the national base acreage allotment for the 1971 crop to the national base acreage allotment for the crop involved.

A preliminary payment of 15 cents per pound will be made as soon as practicable after July 1 of the harvest year. No refund on this payment will be required in the event the final payment rate is determined to be less than 15 cents per pound.

Payment will be made on the basis of acreage planted within the established farm base acreage allotment, except that if 90 percent or more of the allotment is planted, the entire allotment will be considered as planted for program purposes.

Payments will be made on the actual yield per harvested acre for the three preceding years, adjusted for abnormal yield in any year caused by drought, flood or other natural disaster, and with the exceptions that:

- -- the 1970 farm projected yield is substituted for farm actual yields for 1968 and 1969, and

-- for the 1971 crop, the farm payment yield cannot be less than the 1970 farm projected yield, if the total production for the farm in 1970 was at least equal to the 1970 farm projected yield multiplied by the 1970 farm domestic allotment. For subsequent crops, the farm payment yield cannot be less than the yield used for making payments in the preceding year if the total production on the farm is not less than the yield used in making payments for such year times the farm base acreage allotment for the previous year.

The set-aside payment rate is increased 30 percent to producers on small farms with allotments of 10 acres or less, or on which the yield used in making payments times the farm base acreage allotment is 5,000 pounds or less. To be eligible for the increased small farm payment provision, the producer must (1) reside on the farm, and (2) derive his principal income from cotton produced on the farm. Payment is based on the producer's actual production within the poundage on which payments are otherwise made.

Farms which come within the acreage or production limits of a small farm as a result of releasing or transferring allotment acreage are not considered small farms.

The program provides safeguards to protect the interests of tenants and sharecroppers, including provisions for sharing on a fair and equitable basis in payments under the program.

THE DAIRY PROGRAM: The 1970 Act suspended, for the April 1, 1971 - March 31, 1974 period, price support for butterfat.

The price of milk continues to be supported at such level between 75 and 90 percent of parity as the Secretary determines necessary to assure an adequate supply.

Before the beginning of each milk marketing year (April 1), the Secretary announces the program price for manufacturing milk applicable for the marketing year. The announced price will be raised if necessary to assure an adequate supply of milk or to reflect at least 75% of the parity equivalent for manufacturing milk, but may not be lowered during the year.

At the same time, an announcement is made of the prices that CCC will pay for bulk butter, cheese and nonfat dry milk throughout the marketing year from manufacturers and handlers. The purchases maintain market prices of dairy products at levels which enable cooperatives and dairy processing plants to buy milk from farmers at prices which will reflect, on the average, the announced support level.

In addition to its purchases of bulk dairy products at announced prices, CCC buys substantial quantities of these products in special forms and in consumer-size packages through competitive bids. These products are used in the various food distribution programs. Purchases of bulk dairy products are at prices which reflect the announced support price for manufacturing milk plus a reasonable allowance for additional packaging and processing costs.

CCC purchases dairy products through the ASCS Minneapolis Commodity Office.

THE WOOL AND MOHAIR PROGRAM: The National Wool Act of 1954, as amended, provides that support of the prices for wool and mohair may be carried out through payments to producers.

The Agricultural Act of 1970 amended the National Wool Act to establish for the three marketing years beginning January 1, 1971, and ending December 31, 1973, the support price for shorn wool at 72 cents per pound, grease basis, and the support price for mohair at 80.2 cents per pound, grease basis.

The program is designed, through use of annual payments, to support the returns to producers from wool and mohair.

The total amount of payments under the program is limited to 70 percent of the accumulated totals of duties collected on imports of wool and wool manufactures.

THE SUGAR PROGRAM: Under provisions of the Sugar Act of 1948, as amended and extended, the Secretary is required to establish proportionate shares (farm allotments) for sugarbeets or sugarcane of any crop in any domestic area if he determines that, in the absence of restrictions, the production of sugar from that crop would be greater than the quantity needed to fill the area quota and provide a normal inventory.

Farm allotments may be expressed in acres, tons of sugarcane or beets, or quantity of sugar.

Conditional payments are made to producers if proportionate shares are in effect, provided they keep their marketings within their proportionate shares, and also do not employ child labor, pay fair and reasonable wages to field workers as determined by the Secretary and, if they process sugar crops for other producers, pay fair and reasonable prices as determined by the Secretary for such crops.